

DRAFT

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NSC BRIEFING

20 July 1954

AMERICAN POSITION IN SAUDI ARABIA DETERIORATING

I. Recent indications from Saudi Arabia suggest a crisis may be developing with the US and ARAMCO:

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A.

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King Saud is very angry with US. In his present mood, king might terminate both Dhahran Air Base Agreement and US military missions. King stated he would be guided by his Council of Ministers, which is composed largely of anti-American advisors. Air Base Agreement does not normally expire until 1961 but can be terminated as soon as June

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1956. Any earlier termination would be illegal abrogation.

B.

an emergency may soon arise in showdown on the Onassis Agreement. ARAMCO will refuse compromise on question exclusive rights, although realize shutdown and possibly eventual nationalization could result.

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II. Increasing anti-American trend in Saudi Arabia:

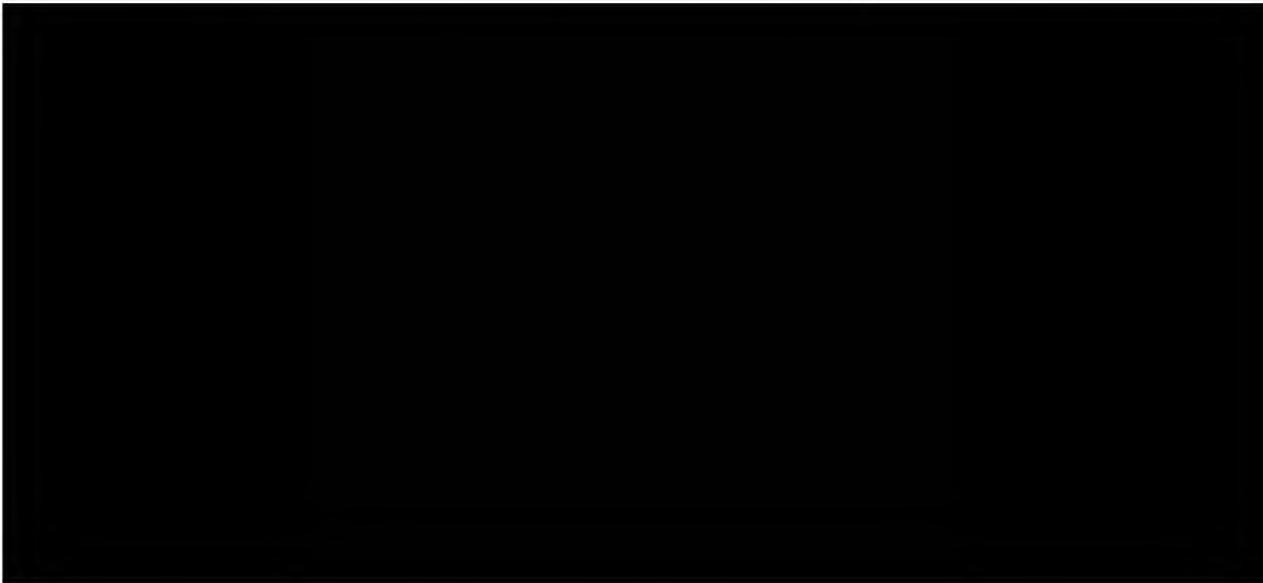
A. Threat to terminate US military agreements and King Saud's
probable insistence on implementation of Onassis Agreement
are in line with series of moves made since Saud's
succession in Nov 53.

1. Replacement of American firm handling government construction by German firm (January)
2. Involvement ARAMCO in Buraimi dispute (February-June)
3. Ratification of Onassis tanker agreement (April)
4. Refusal to grant American request for visas for second group French soldiers en route Indochina (May)
5. Termination Point IV Agreement (June)
6. Joining with Egypt to oppose Iraqi adherence to Turkish-Pakistani Pact (June)

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III. Prospects: No indication that Saud will change his policy.

- A. Attempt to abrogate Dhahran Air Base Agreement possible, more likely efforts to terminate it in 1956.
- B. Terminate American Military Assistance Advisory Groups which are training Saudi military forces.
- C. Strong possibility that Saud, influenced by anti-American advisors who have stake in Onassis Agreement, will "nationalize" oil because:
 - 1. Mistaken belief can replace American oil technicians by foreigners, perhaps West Germans.
 - 2. Hope obtain greater revenue by eliminating ARAMCO profits.
 - 3. Desire enhance his prestige as Arab leader by ousting Americans.

4. Wish avoid loss of face involved in backing down on
Onassis Agreement.

D. Attempted nationalization of oil would result in another
Iran: loss of most of Saudi revenue which would cause
progressive economic dislocation, political ferment,
possible overthrow of king or entire royal family.